

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SCI-06 HEW-08 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 OTPE-00

FCC-03 OC-06 CCO-00 IO-13 PC-04 RSR-01 /192 W

----- 000689

R 041030Z SEP 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9477

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL RECIFE

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E.O. 11652: N/A

TAGS: EGEN, ETEL, BR

SUBJECT: REACTIONS TO GOB DECREES ON TELECOMMUNICATIONS
INDUSTRY AND MEDICINES

REF: BRASILIA 5556, SAO PAULO A-59

SUMMARY:

1. BUSINESS COMMUNITY HAS NOT BEEN ALARMED BY NEW DECREES
PROMULGATED BY GOB: GENERAL REACTION IS THAT COMMUNICATIONS
AND HEALTH ARE SPECIAL SECTORS IN WHICH GOVERNMENT HAS
TRADITIONALLY PLAYED A MAJOR ROLE. END SUMMARY.

2. CONSULATES RIO AND SAO PAULO HAVE REPORTED THE FOLLOWING
BUSINESS REACTIONS TO SUBJECT DECREES.

3. LOCAL ITT OFFICIAL STATES STANDARD ELECTRIC HAS ADOPTED
POSITION WELCOMING TELEBRAS PARTICIPATION IN ITS CAPITAL AND
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MANAGEMENT. COMPANY'S INITIAL CONTACTS INDICATE TELEBRAS PLANS

TO ACQUIRE ONLY 5 TO 10 PER CENT OWNERSHIP. PRESIDENT OF COMPANY TRAVELING TO BRASILIA TO DISCUSS PROPOSED PURCHASE.

4. ERICSSON REP COMMENTED IT WAS TOO EARLY TO REACH ANY CONCLUSIONS. HE DID POINT OUT, HOWEVER, THAT REGULATIONS WERE FREQUENTLY DECREED BY THE MINISTRY OF COMMUNICATIONS BUT THAT IT TOOK A FAIRLY LONG TIME FOR THEM TO HAVE ANY EFFECT, BY WHICH TIME MANY OF THEM BECAME, AT LEAST PARTLY, DILUTED. HE ADDED THAT THE FIRM WAS PRESENTLY BUILDING TWO NEW FACTORIES IN BRAZIL AND HAD PROJECTS FOR TWO MORE.

5. THE GENERAL MANAGER OF G.T.E. WELCOMED THE DECREE AS A STRONG PROTECTIONIST MEASURE FOR THE INDUSTRIES ALREADY ESTABLISHED IN BRAZIL. HE SEEMED TO BELIEVE THAT MINISTER CORSETTI MEANT WHAT HE SAID AND REVEALED THAT GTE DO BRASIL IMMEDIATELY WROTE TO THE PARENT COMPANY REQUESTING PERMISSION TO GO PUBLIC IN ORDER TO FACILITATE TELEBRAS PARTICIPATION IN ITS STOCK. HE ADDED THAT THIS PROTECTION WOULD PROBABLY ASSURE ALL EXISTING MANUFACTURERS A FAIR PORTION OF BUSINESS, OFTEN ELIMINATING UNNECESSARY IMPORTS AND PREVENTING THE ESTABLISHMENT OF ADDITIONAL FOREIGN COMPETITORS IN BRAZIL.

6. GE IS ATTEMPTING TO OBTAIN CONTRACTS TO PRODUCE BRAZIL'S DOMESTIC SATELLITE SYSTEM AND HAS HAD A GREAT DEAL OF DIRECT CONTACT WITH COMMUNICATIONS MINISTRY PERSONNEL. REP OF THIS FIRM STATED THAT HIS COMPANY IS PLEASED BY THE NEW DECREE, BECAUSE THERE CAN BE NO BETTER SITUATION THAN HAVING ONE'S BIGGEST CUSTOMER AS ONE'S PARTNER. CLARIFYING THIS STATEMENT THE REP ADDED THAT STATEMENT HOLDS ONLY IF THE CUSTOMER DOES NOT WANT TO BE TOO BIG A PARTNER.

7. WE ALSO DISCUSSED COMMUNICATIONS DECREE WITH SENIOR OFFICIAL IN MINISTRY OF COMMUNICATIONS. SOURCE EMPHASIZED REPEATEDLY THAT DECREE SHOULD NOT BE INTERPRETED AS INDICATING THAT TELEBRAS INTENDS TO ASSUME CONTROL OF TELECOMMUNICATIONS MANUFACTURING ENTERPRISES. IT IS INSTEAD AN AFFIRMATION OF BRAZIL'S DESIRE TO INCREASE LOCAL PARTICIPATION IN MULTINATIONALS OPERATING IN BRAZIL AS WELL AS INCREASING GOB'S VOICE IN VITAL INDUSTRY. IN RESPONSE TO QUESTION, OFFICIAL INDICATED THAT THE DESIRE AMOUNTS OF TELEBRAS LIMITED OFFICIAL USE

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PARTICIPATION IN SUCH MANUFACTURING COMPANIES HAS NOT YET BEEN DECIDED.

8. IN ADDITION, THERE HAS BEEN SOME DISCUSSION IN BUSINESS COMMUNITY ABOUT THE SIGNIFICANCE OF THE PURCHASE BY PETROQUISA (PETROCHEMICAL SUBSIDIARY OF THE NATIONAL PETROLEUM COMPANY PETROBRASL) OF PETROQUIMICA UNIAO. (SEE SAO PAULO A-59.) CONGEN RIO REPORTED THAT AT THE MOST

RECENT ECONOMIC COMMITTEE MEETING OF THE AMERICAN CHAMBER
OF COMMERCE BUSINESSMEN EXPRESSED FIRM BELIEF THAT
PETROBRAS RELUCTANTLY ASSUMED CONTROL OF COMPANY ONLY
BECAUSE PREVIOUS OWNERS COULD NOT OR WOULD NOT RAISE
ADDITIONAL FUNDS TO FINANCE PLANNED EXPANSION. CHAMBER
MEMBERS INSISTED MEASURE SHOULD NOT BE INTERPRETED TO
MEAN GREATER GOVERNMENT INTERVENTION IN PRIVATE SECTOR.

9. EMBASSY COMMENT FOLLOWS SEPTTEL.
CRIMMINS

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